

## ARIZONA CORPORATION COMMISSION TRACK B ISSUES STATUS

ISSUE	AGREEMENT IN PRINCIPLE?	OPEN ISSUES
1. What is the appropriate way to structure the solicitation process?	<ol style="list-style-type: none"> <li>1. Structure must be transparent</li> <li>2. Structured to meet goals of: <ol style="list-style-type: none"> <li>a. System reliability</li> <li>b. No increase in consumer risks</li> <li>c. No higher prices to consumers</li> <li>d. Environmental standards met</li> </ol> </li> <li>3. Structure must be flexible <ol style="list-style-type: none"> <li>a. Tailored to UDC</li> <li>b. Change over time</li> <li>c. Diversity of products</li> <li>d. Supplier diversity</li> </ol> </li> </ol>	<ol style="list-style-type: none"> <li>1. Process details</li> <li>2. Should the process be designed to reduce rates?</li> <li>3. How do we define “no higher” prices (2c)?</li> <li>4. How do we define “consumer risk” (2b)?</li> <li>5. Refine 3 c, 3d</li> </ol>
2. Are there power supplies that should be exempt from or treated differently in a competitive solicitation?	<ol style="list-style-type: none"> <li>1. Exempt from competitive solicitation: <ol style="list-style-type: none"> <li>a. Existing contracts</li> <li>b. Future QF contracts</li> </ol> </li> </ol>	<ol style="list-style-type: none"> <li>1. Should use of “must run” units for ancillary services preempt comparable RMR obligations?</li> <li>2. Should UDC-owned generation be excluded <ol style="list-style-type: none"> <li>a. Uneconomic plants</li> <li>b. RMR</li> <li>c. Environmentally challenged</li> </ol> </li> <li>3. Can bidders bid against RMR, if: <ol style="list-style-type: none"> <li>a. Build inside constraints</li> <li>b. Transmission can be arranged</li> </ol> </li> </ol>
3. What role should Least Cost Planning play in competitive markets?	<ol style="list-style-type: none"> <li>1. UDC will continue to forecast load &amp; develop supply portfolio</li> <li>2. Least Cost Planning will not require self-build by UDC.</li> </ol>	<ol style="list-style-type: none"> <li>1. Details</li> </ol>

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4. Who should bear price risks?	<ol style="list-style-type: none"> <li>1. Assigning risk to UDC increases UDC cost</li> <li>2. Assigning risk to bidders will increase bid prices</li> </ol>	<ol style="list-style-type: none"> <li>1. Should there be adjustment mechanisms in UDC rates?</li> <li>2. Should contracts have fuel adjustment mechanisms?</li> <li>3. What are appropriate pricing requirements?</li> <li>4. Will presumption of prudence be created?</li> </ol>
5. Should there be a standard approach to competitive solicitations?	<ol style="list-style-type: none"> <li>1. Same process should be used for all UDC's.</li> <li>2. Load growth is contestable</li> <li>3. Unmet needs are contestable</li> <li>4. Contestable load will change over time</li> <li>5. Affiliated suppliers may compete for load</li> </ol>	<ol style="list-style-type: none"> <li>1. Ways to prevent competitive solicitation from creating barriers to future options.</li> <li>2. Quantify initial additional contestable load</li> <li>3. Quantify contestable load over time</li> <li>4. Should specific generation be contestable in the initial solicitation?</li> </ol>
6. How should UDC's meet the Environmental Portfolio Standards?	<ol style="list-style-type: none"> <li>1. Bidders should not be required to include EPS in each bid.</li> <li>2. For first solicitation, EPS should be bid a separate process.</li> <li>3. Renewables and DSM should be permitted to bid in first solicitation, but no "bonus points" awarded in review process.</li> </ol>	NONE

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7. How should a competitively procured power supply portfolio be structured?	<ol style="list-style-type: none"> <li>1. Current transmission allows some level of competitive solicitation</li> <li>2. Must address load shape</li> <li>4. Product diversity</li> <li>5. Term diversity</li> <li>6. Deliverability must be considered</li> <li>7. Ancillary services are not to be solicited in the first solicitation as separate products.</li> <li>8. Ancillary services should be phased in accordance with Standard Market Design.</li> <li>9. Slice of system should not be bid in first solicitation.</li> <li>10. Slice of system should not be included in the first solicitation.</li> </ol>	<ol style="list-style-type: none"> <li>1. How much of UDC system should be contestable?</li> <li>2. Should unit contingent sales be included in first solicitation?</li> <li>3. What are appropriate lengths of contracts for particular solicitations?</li> <li>4. How much of total load should one competitive supplier be permitted?</li> </ol>
8. What are the acceptable pricing regimes?	<ol style="list-style-type: none"> <li>1. Bidders should have option to bid pricing structure.</li> <li>2. UDC not required to accept a particular structure.</li> <li>3. For first solicitation, UDC will use pricing structure and terms approved by ACC.</li> </ol>	<ol style="list-style-type: none"> <li>1. Should price caps and/or reserve prices be employed?</li> </ol>
9. Does a competitive solicitation address market power concerns?	<ol style="list-style-type: none"> <li>1. Market power mitigated by permitting bidders to identify equivalent transmission points</li> <li>2. Deliverability to load must be verifiable</li> <li>3. No preference to transmission should be given to UDC affiliates</li> <li>4. Bidders' proposed transmission path cannot displace contract load, or native load.</li> <li>5. Through the use of equivalent delivery points, swaps should be permitted.</li> </ol>	<ol style="list-style-type: none"> <li>1. Should bidders' transmission path be allowed to create constraints?</li> <li>2. Should there be a limit on the percent of capacity bid by a single supplier?</li> <li>3. Should there be a limit on the percent of capacity awarded to a single supplier?</li> </ol>

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10. Who can participate in the solicitation?	1. Solicitation open to all bidders.	NONE
11. Are there requirements to qualify to bid?	1. Any pre-qualifications should be disclosed before bidding. 2. Amount of any bid fee imposed on bidders to be disclosed before bidding. 3. Minimum qualification should be demonstration to provide creditworthiness.	1. Should there be a bid fee? a. Who would pay it? b. How much should it be? c. Should bid fees be refundable?
12. How should bids be evaluated?	1. Evaluation criteria disclosed with solicitation: a. Draft contract b. Review process c. Specific criteria d. Bidder & product requirements to close. 2. ACC should: a. Review solicitation before issuance b. Monitor bid review by UDC c. Monitor selection process d. Review bids and final selection(s) e. Assure fairness & arms-length review	1. Role of ACC Staff 2. Role of evaluator 3. Will ACC approve contracts for prudence? 4. Should UDC make selection, or should there be a "team" decision?

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13. Failure of the solicitation	<ul style="list-style-type: none"><li>1. Solicitation will be a failure if:<ul style="list-style-type: none"><li>a. No consumer benefit</li><li>b. No power contract is signed</li><li>d. ACC determines the process, as employed, was flawed</li><li>e. Market power exacerbated</li><li>f. Not enough capacity to meet load</li></ul></li></ul>	<ul style="list-style-type: none"><li>1. Who determines if an auction fails?</li><li>2. What are the standards of review?</li><li>3. What happens if the auction fails?</li><li>4. What are UDC record retention obligations?</li><li>5. How many bids are required to make a solicitation a success?</li></ul>